

Exhibit E

Public Budget | 2015

Last week, we presented an overview of the 2015 baseline budget. Let me first speak about external budget support before Mr. Fareed Ghannam, the Director General of the Budget Directorate, starts speaking about the key elements of the budget:

- There has been a drop in donor countries' external support; for instance, in 2013, donors' total support reached USD 1,258m. In 2014, the number dropped by 19% to USD 1,092m. In 2015, donors' support is expected to reach USD 800m, a drop of 22% compared to 2014.
- We believe that the USD 800m is an accurate estimate since this year donors' support has so far registered USD 355.9m (January to May, 2015) or an average of USD 70m a month. Hence, this pattern shows that USD 400m is the amount remaining to the end of 2015.
- Moreover, there are donor countries that are yet to provide support to the Palestinian treasury such as the United States of America and the United Arab Emirates, which gave USD 250m last year including USD 200m and USD 50m, respectively.
- On the other hand, the European Union, Japan, France, and Kuwait gave USD 70m, USD 55m, USD 6m, USD 35m, respectively. Qatar gave more than USD 100m. In total, these countries and others gave approximately USD 500m in support of Gaza reconstruction and humanitarian aid.
- We realize that this support is becoming a burden for the donor's. Therefore, we now understand, more than ever, that we need to set up foundations for a sustainable economic system that is independent of external support. Obviously, self-reliance policy is a strategic objective of the Palestinian government to achieve this end.
- We must also understand that the European Union and other donors may one day, probably as early as next year, stop giving the salaries of the Gaza civil servants and security officers, who are put on hold.
- Therefore, the Ministry of Finance seeks to achieve the strategic objective through the following key steps:
 - First: Continue extensive efforts to reduce the operational deficit;
 - Second: Increase income and enhance resource management;
 - Third: Enhance budget execution mechanisms. Focus on outcome-focused planning and performance indicators;
 - Fourth: Efforts shall be focused on the reform and streamlining of procedures at all functional levels of the Ministry of Finance; and
 - Fifth: Reduce expenditure at all levels: wherever possible, this shall be the leading step ahead.

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In the second half of 2015 the focus will continue to be on these key financial objectives:

- Increase domestic income/revenues through better compliance by 6% in 2015 in comparison with 2014, regardless of the recession and economic stagnation. We believe that this can be achieved -unless unexpected external factors hinder plans- since domestic tax registered 9% increase in January through May 2015 (see table below).

Collections of Jan-May		
	2015	2014
9%	1,452	1,331

- Intensify efforts to end tax evasion, enhance compliance with tax payment including excise, and expand the taxpayer base. Indicators of 2015 show that the increase in the number of taxpayers in January through May 2015 is 12,000, which is 45% of the target of expanding the taxpayer base (see table below).

	2012	2013	2014	June 2015
No. of Registered Taxpayers	151,212	156,231	167,431	171,663
Increase	-	5,019	11,200	4,323

- Hence, field campaigns to this end are under way.
- Complete revision of the value of fees, services, and non-tax revenues by end of June 2015 and submit the revision to the Council of Ministers. Once the revision is approved, domestic income will increase by approximately USD 200m a year. We hope to see this outcome as early as the last quarter of 2015.
- Clearance revenues grew by 6% in January through May 2015 compared to the same period of 2014. They are expected to continue growing at the same rate this year.
- However, a noticeable increase in clearance revenue will only materialize once a number of pending issues, as well as the issues of the trade agreement with Israel, are resolved. These issues include, inter alia:

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- Data and information of invoices and indirect customs must be inclusive;
- Solve the fuel tax issue
- Handling fees
- Border crossing fees
- Traffic tickets
- Taxes paid by Palestinian labourers and medical treatment fees
- Land and business establishments fees in Area C
- In any case, dealing with these issues is political. Boycotting Israeli products also plays role and alternatives need to be found. Oil issue also requires solution.
- Gradual payment of private sector arrears. The arrears restrict economic growth and hinder private sector's ability to create new business opportunities. There shall be no increase in the number of civil servants.
- Absolute commitment to monthly payment of NIS 10m to the pension fund. This amount may increase in order to safeguard the assets of the pension fund and create new opportunities for early retirements. An amount of NIS 80m has been paid to the pension fund since October 2014.
- The need to be firm in dealing with economic weakness factors such as the wage and salary bill, which consumes 70% of the national income, including 40% in police and security officers salaries. This is an unsustainable issue.
 - The payment of wages and salaries and operational expenditure constitute 72% and 70% of net revenues, respectively. Hence, the total of these is 142%, which results in the chronic deficit in the budget.
 - Wage and salary bill eats up the entire clearance revenues.
 - Operational expenditures stand at NIS 15b.
 - Net income stands at NIS 11b.
 - The annual deficit stands at NIS 4b (USD 1.15b).
 - Donors' support stands at USD 800m.
 - The annual deficit; therefore, is USD 350m.
 - Plus USD 50m in contribution to development projects.
 - The financing gap is; therefore, USD 400m a year or approximately USD 35m a month.

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- A growth rate of maximum 2% and 3.5% in operational expenditure and wage and salary bill, respectively, must be maintained to safeguard the improvement in financial resources and the 6% growth. Otherwise, the financial reform and growth process will not be achieved and economic growth would be put off.
- It is important to pinpoint partnership with other PA agencies in reducing net lending and medical referrals, which consume 15% of operational expenditure (see table below).

Item	Deductions in 1 st quarter of 2015 (NIS million)	% in operation expenditure
Water	56.92	1.8%
Electricity	385.67	12.3%
Medical treatment	68.59	2.2%
Wastewater	13.33	0.4%

- Continue to avoid borrowing from banks, except in extreme cases, to avoid competing over available liquidity with the private sector; avoid increasing risks at financial institutions by focusing on the public sector; and lack of clearly reasonable repayment schedule. Balance today stands at USD 1.22b.
- Other challenges that we will face this year include vague local and regional political trends as well as the threat of the lawsuits filed against the PA locally, in Israel, and in the United States. The attention of the Council of Ministers has been previously drawn to these lawsuits, which demand compensations exceeding USD 1b, which is a serious threat to the PA's financial position.
- These compensations (USD 1.1b) may deal a serious blow to the PA's finances.
- Henceforth, the budget takes austerity measures into account. Spending is on cash basis and relies on availability of cash resources and allocations based on revenue expectations.